United Nations

Report of the Committee on Contributions

Sixty-first Session (11-28 June 2001)

General Assembly
Official Records
Fifty-sixth Session
Supplement No. 11A (A/56/11/Add.1)

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Addendum

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Note

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Information on some multi-year payment plans and incentive and disincentive measures applied by organizations of the United Nations system and other multilateral and regional organizations

1. In its resolution 55/5 A, the General Assembly, inter alia, requested the Committee on Contributions to consider further the indexation of arrears, interest on arrears, multi-year payment plans, early reimbursement to troop-contributing countries and further suggestions for measures to encourage the timely, full and unconditional payment of assessed contributions, taking into account the experience with incentives and sanctions for the payment of assessed contributions of other United Nations organizations and other multilateral and regional organizations, and to report thereon to the General Assembly at its fifty-sixth session.

2. The Committee had considered these questions at its fifty-ninth session in 1999, pursuant to a request contained in General Assembly resolution 53/36 C.

3. Annex I to the present document provides some information on the subject. Annex II contains a note on the S-curve incentive scheme.

4. The secretariat of the European Union indicated that no incentives or disincentives were applied with respect to the non-payment of contributions. The secretariat of the Organisation for Economic Cooperation and Development also indicated that there were currently no incentives or disincentives in place, although in prior years there had been a system of apportioning to members the net interest on short-term investments earned by the organization as an incentive for early payment.

5. At its sixty-first session, the Committee on Contributions decided to make this information available in an addendum to its report.[1]

Notes

[1] See *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 11* (A/56/11).

Annex I

Information on some multi-year payment plans and incentive and disincentive measures applied by organizations of the United Nations system and other multilateral and regional organizations

A. Provision for payment plans in organizations of the United Nations system and other multilateral and regional organizations

1. Information on the practice of a number of organizations of the United Nations system with respect to payment plans for the settlement of arrears of assessed contributions was provided to the High-level Open-ended Working Group on the Financial Situation of the United Nations in 1996. This information is reproduced below. Among the features characterizing these arrangements are the following:

(a) The arrangements for time-bound settlement of arrears are implemented only when Member States are at the point of losing their voting rights owing to the amount of their arrears. The definition of the arrears triggering the loss of voting rights varies among the agencies (see below);

(b) The periods for settlement of arrears through these payment plan arrangements for most of the above-mentioned agencies are up to 10 years;

(c) A number of these agencies stipulate in their arrangements for settlements of arrears that payment of current contributions as well as advances to the Working Capital Funds must be made in addition to payment of instalments of arrears;

(d) These arrangements generally also provide for the manner in which defaults in payment by Member States of their instalments are treated.

2. The individual arrangements for payment plans in settlement of arrears of the above-mentioned specialized agencies are summarized below.

1. International Labour Organization (ILO)

3. Article 13, paragraph 4, of the Constitution of the International Labour Organization (ILO) provides as follows:

> "A Member of the Organization which is in arrears in the payment of its financial contribution to the Organization shall have no vote in the Conference, in the Governing Body, in any committee, or in the elections of members of the Governing Body, if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years: Provided that the Conference may by a two-thirds majority of votes cast by the delegates present permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member."

4. Article 31 of the Standing Orders of the International Labour Conference provides that:

> "(a) Any request or proposal that the Conference should nevertheless permit a Member which is in arrears in the payment of its contributions to vote

in accordance with article 13, paragraph 4, of the Constitution shall be referred in the first instance to the Finance Committee of the Conference, which shall report thereon as a matter of urgency.

"(b) Pending a decision on the request or proposal by the Conference, the Member shall not be entitled to vote.

"(c) The Finance Committee shall submit to the Conference a report giving its opinion on the request or proposal.

"(d) If the Finance Committee, having found that the failure to pay is due to conditions beyond the control of the Member, thinks fit to propose to the Conference that the Member should nevertheless be permitted to vote in accordance with article 13, paragraph 4, of the Constitution, it shall in its report:

"(i) Explain the nature of the conditions beyond the Member's control;

"(ii) Give an analysis of the financial relations between the Member and the Organization during the preceding ten years; and

"(iii) Indicate the measures which should be taken in order to settle the arrears.

"(e) Any decision which may be taken by the Conference to permit a Member which is in arrears in the payment of its contributions to vote notwithstanding such arrears may be made conditional upon the Member complying with any recommendations for settling the arrears which may be made by the Conference."

5. In accordance with paragraph 1 of article 31 of the Standing Orders of the Conference, the Finance Committee of the Conference considers requests of Governments for permission to vote at the Conference. Based on the report of the Finance Committee, which, among others, indicates the measures that should be taken in order to settle the arrears, the Conference passes resolutions that indicate the manner in which the arrears concerned should be settled.

6. Resolutions concerning the granting of permission to a country to vote under paragraph 4 of article 13 of the Constitution of ILO include, among other elements, the following:

(a) Acceptance of the arrangement proposed by a Government for the settlement of the arrears by the General Conference of ILO;

(b) Payment of current contribution in full in the year for which it is due;

(c) Duration and number of instalments for payment of arrears.

2. Food and Agriculture Organization of the United Nations (FAO)

7. Article III.4 of the Constitution of the Food and Agriculture Organization of the United Nations (FAO) provides as follows:

"Each Member Nation shall have only one vote. A Member Nation which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the Conference if the amount of its arrears equals or exceeds the amount of the contributions due from it for the two preceding calendar

years. The Conference may, nevertheless, permit such a Member Nation to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member Nation."

8. The Council of FAO and the Finance Committee address the issue of the procedures and practices followed by FAO for restoring the voting rights of Member Nations in arrears of assessed contributions and reports to the Conference of FAO.

9. The Conference, after noting the proposal of a Member State to liquidate its arrears, takes a decision that provides, among others, for payment of arrears in up to 10 annual instalments. It also stipulates that default in payment of two instalments shall render the instalment plan null and void.

10. The decisions of the Conference in this regard include, among others, the following elements:

(a) Reference to a Government's proposal to liquidate its arrears in addition to paying each current contribution in the calendar year of assessment;

(b) Reference to the total amount of arrears that shall be settled through the payment in instalments;

(c) Timing of the payment;

(d) Payment of advances to the Working Capital Fund;

(e) Indication that default in payment of two instalments shall render the instalment plan null and void.

11. At the 28th session of the FAO Conference of 1995, there were 34 Member Nations that had no right to vote in the Conference. Fourteen of them proposed payment of their arrears through instalment plans and their voting rights were restored. As at 31 March 2001, four Member Nations still pay by annuity.

3. United Nations Educational, Scientific and Cultural Organization (UNESCO)

12. Rule 83 of the rules of procedure of the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO) and its modification as adopted by the twenty-eighth General Conference of UNESCO in November 1995 provide as follows:

"1. Each Member State whose credentials have been found to comply with Rule 22, or which has exceptionally been admitted with full voting rights by the Conference despite failure to comply with that rule, shall have one vote in the General Conference or in any of its committees, commissions and other subsidiary organs.

"2. Such Member State, however, shall have no vote in the General Conference or in any of its committees, commissions and other subsidiary organs if the total amount of contributions due from it exceeds the total amount of the contributions payable by it for the current year and the immediately preceding calendar year, unless the General Conference is satisfied that the failure to pay is due to conditions beyond the control of the Member State."

13. In accordance with the procedure described in paragraphs 3 to 10 of rule 83 of the rules of procedure of the General Conference and its modification, before each ordinary session of the General Conference, the Director-General notifies Member

States in danger of losing voting rights, in accordance with the relevant provisions of article IV.C of the Constitution, at least six months before the General Conference is due to open. Member States address their communications invoking the provisions of article IV.C of the Constitution to the Director-General, who transmits them to the Administrative Commission of the General Conference. That Commission takes up the matter at the beginning of its work and issues, at the plenary meeting, a report and recommendations on the subject. In its report to the General Conference, the Administrative Commission:

(a) Describes the conditions that render non-payment beyond the Member State's control;

(b) Gives information on the Member State's history of payment of its contributions in preceding years and on request(s) for voting rights;

(c) States the measures taken in order to settle the arrears — normally a payment plan for settlement of such arrears in annual instalments over a period of three bienniums — and makes mention of the understanding by the Member State to do all it can to settle future annual assessed contributions on a regular basis.

14. Any decision to permit a Member State in arrears in payment of its contributions to vote is made conditional upon that Member State's observance of the recommendations for settlement of the arrears made by the General Conference.

15. After the General Conference's approval of the payment plan under which a Member State's arrears are consolidated and are payable, any decision by the Conference permitting that Member State to vote is valid so long as the Member State concerned pays its annual instalments by the scheduled dates.

16. As of the end of 2000, 35 Member States had such payment plans, of which 28 were in default as of the end of that year.

4. International Civil Aviation Organization (ICAO)

17. With effect from 1 January 1998, the voting power in the Assembly and the Council of the International Civil Aviation Organization (ICAO) is suspended for those contracting States that have failed to discharge their financial obligations for arrears equal to or more than the assessments for the preceding three years, and either have not concluded an agreement with the Council that provides for the settlement of their outstanding obligations, or have not complied with the terms of their agreement. In addition to the loss of voting rights in the Assembly and the Council, in the event of a distribution of surplus, States with arrears relating to the years for which surplus is distributed are not eligible for the surplus, unless they have an agreement and are complying with its terms.

18. With effect from 1 January 1999 and for a three-year trial period, any State that has entered into a payment plan, and is complying with its terms, will receive its share of surplus.

19. The ICAO Assembly was held in September/October 1998. The percentage of receipts of contributions for 1998 in relation to the amounts assessed was over 95 per cent, the highest percentage in many years.

20. Waiver of application of sanctions, i.e. suspension of voting rights is possible if the Assembly decides that non-payment is due to conditions beyond the control of the State. However, this has not been exercised for many years.

21. The arrears are consolidated and are payable in annual instalments over a period of 10 years, which may be extended to 15 or more at the discretion of Council. Suspension of voting rights takes place also if the Contracting State fails to comply with the terms of the agreement.

22. At the end of December 2000, the number of States that had signed agreements for repayment of arrears by instalment was 32, and the amount of arrears for these States was US$ 7.4 million. At 28 February 2001, 23 of these States had not complied with the terms of their agreements.

5. World Health Organization (WHO)

23. Article 7 of the Constitution of the World Health Organization (WHO) provides as follows:

> "If a Member fails to meet its financial obligations to the Organization or in other exceptional circumstances, the Health Assembly may, on such conditions as it thinks proper, suspend the voting privileges and services to which a Member is entitled. The Health Assembly shall have the authority to restore such voting privileges and services."

24. In paragraph 2 of resolution WHA8.13 of May 1955, the Eighth World Health Assembly (WHA) resolved:

> "that, if a Member is in arrears in the payment of its financial contributions to the Organization in an amount which equals or exceeds the amount of the contributions due from it for the preceding two full years at the time of the opening of the World Health Assembly in any future year, the Assembly shall consider, in accordance with Article 7 of the Constitution, whether or not the right of vote of such a Member shall be suspended".

25. Under the provisions of Article 7 of the Constitution and resolution WHA8.13 of WHA, the Committee of the Executive Board of the Assembly considers a proposal of a Member State in arrears and submits its recommendations to WHA for a decision. WHA, after considering the recommendation of the Committee of the Executive Board, takes a decision indicating the terms of settlement of arrears. The duration for such settlement of arrears varies, ranging from 3 to 10 years.

26. The decisions of WHA in this regard include, among others, the following elements:

(a) Acceptance by the Assembly of a Government's proposal to settle its outstanding contributions through payment in a certain number of instalments;

(b) Crediting of payment by members first to the oldest outstanding amounts due, and the proceeds are used to repay internal borrowings/working capital fund drawdowns, or, if both are fully repaid, the proceeds go to miscellaneous income;

(c) Indication that default would be treated in accordance with the provisions of the relevant resolution of WHA.

6. Universal Postal Union (UPU)

27. Pursuant to resolution C61 of the 1989 Washington Universal Postal Congress, provision is made on negotiations of special agreements with countries with substantial arrears, bearing in mind the latter's economic situation and the Union's interests. These agreements should result in debt rescheduling agreements between the countries concerned and the International Bureau. The debts of countries that have concluded such an agreement are transferred to a special account on which no interest is payable for the reimbursement period. At 8 August 1993, four countries had asked to benefit from this procedure.

28. As of 1 January 2001, a new system of automatic sanctions came into effect concerning voting rights in the Universal Postal Union. Operating procedures for the new system of automatic sanctions are as follows:

(a) Regulatory basis of the automatic sanctions

The regulatory basis for application of the automatic sanctions is article 126 of the Universal Postal Union General Regulations newly introduced at the 22nd Postal Congress in Beijing. These provisions are valid from 1 January 2001. The methods of applying the automatic sanctions system were approved by the CA 1999 (Beijing) (decision CA II/ 1999 B):

> "1. Any member country unable to make the assignment provided for in paragraph 9 of article 125 and which does not agree to submit to an amortization schedule proposed by the International Bureau in accordance with article 125, paragraph 10, or which does not comply with such a schedule shall automatically lose its right to vote at Congress and at meetings of the Council of Administration and the Postal Operations Council and shall no longer be eligible for membership of these two Councils.
>
> "2. Automatic sanctions shall be lifted as a matter of course and with immediate effect as soon as the member country concerned has paid its arrears of mandatory contributions owed to the Union, in capital and interest, or has agreed to submit to a schedule for the amortization of the arrears."

Paragraphs 9 and 10 of article 125 of the General Regulations state:

> "9. Where the arrears of mandatory contributions, not including interest, owed to the Union for a member country are equal to or more than the amount of the contributions of that member country for the preceding two financial years, such member country may irrevocably assign to the Union all or part of the credits owed it by other member countries, in accordance with the arrangements laid down by the Council of Administration. The conditions of this assignment of credit shall be determined by agreement reached between the member country, its debtors/creditors and the Union.
>
> "10. A member country which, for legal or other reasons, cannot make such assignment shall undertake to conclude a schedule for the amortization of its arrears."

It is specified that, in this context, arrears of mandatory contributions are considered to be the unpaid portion of the contributions for financial years prior to the current financial year.

(b) Consequences of the automatic sanctions

As mentioned in article 126, paragraph 1, above, application of the automatic sanctions results in the loss of the right to vote at Congress and at meetings of the Council of Administration and the Postal Operations Council and loss of eligibility for membership of these two Councils.

Where sanctions are imposed on a member country for arrears of mandatory contributions and that country is already a member of one of the Union's legislative bodies, it will not be excluded from that body until the end of its term, but loses the right to vote.

(c) Aims of the automatic sanctions

The aim of introducing the system of automatic sanctions is to reduce the amount of arrears of contributions owed to the Union while offering member countries several ways of paying them and flexibility of application through the time limits allowed.

(d) Method of calculating the decisive amount

The automatic sanctions are triggered when the amount of arrears of mandatory contributions, not including interest, becomes equal to or more than the amount of the mandatory contributions owed by the member country for the preceding two financial years.

Example: at the beginning of the year 2001, a member country owes the following contributions:

for 2001: 150 000 CHF

for 2000: 145 000 CHF

for 1999: 140 000 CHF

for 1998: 135 000 CHF

for 1997: 80 000 CHF (balance after payment of an instalment).

The decisive amount for the application of automatic sanctions is 285,000 CHF, or the sum of the contributions for the two years preceding the current year (1999 and 2000).

The amount of arrears to be considered for automatic sanctions is 500,000 CHF, namely the sum of the contributions still owing from 1997 to 2000.

(e) Different variants for avoiding automatic sanctions

A member country with arrears of mandatory contributions may, in order to avoid automatic sanctions, either settle them straightaway, agree to assign irrevocably in favour of the Union all or part of the credit owed to it by other member countries, or to sign with another country an agreement under which that country undertakes to settle its arrears within a period of six weeks up to the amount of the sums owed to the Union. If such assignment or such agreements cannot be made, it is possible to conclude a debt-rescheduling agreement with the Union, the duration of which must, in principle, not exceed 10 years.

It must be mentioned clearly that the mechanisms (direct settlement, assignment and rescheduling) are complementary but that possibilities for using direct settlement or the system of assignment of credits must first be exhausted before the conclusion of a debt-rescheduling plan is considered.

(e) (i) Direct settlement of arrears

It is recommended that an attempt be made to settle direct at least part of the arrears of mandatory contributions.

(e) (ii) Irrevocable assignment of credits and payment agreements

(e) (ii) (a) Irrevocable assignment of credits

These are instruments whereby the creditor (Union member country) agrees that the payment made by its debtor shall be in favour of a specified third party, in this case the International Bureau.

As soon as the level of arrears reaches the amount to trigger sanctions, the Director-General notifies the member country concerned of the situation of its arrears and asks it to regularize its situation within six weeks of the date of dispatch of the letter of notification. This notification is normally sent in January of each year.

A member country that, following such notification, is unable to regularize its arrears immediately sends the Director-General a letter (within the same period of six weeks) in which it indicates that it intends to assign irrevocably all or part of the credits owed to it by one or more member countries. It attaches to this communication a copy of the letter sent to the member country or countries notifying them of its wish to assign its credits to the UPU. Within a period of six weeks from the date of dispatch of this communication, it sends the International Bureau a copy of the irrevocable assignment agreement signed by itself and its debtor or debtors.

The irrevocable credit assignment agreement for the agreed amount must without fail mention that:

- The member country which has become a debtor of the UPU as a result of an assignment agreement will pay an amount equivalent to its debt within six weeks of the date of its signature of the assignment agreement;
- If the member country which is a debtor of the UPU — as a result of an irrevocable credit assignment agreement — does not make the payment within the prescribed time limit, the amount in question is recorded as arrears of mandatory contributions of the member country in question.

The detailed procedure to be followed in the case of irrevocable assignment is as follows:

- A member country which is in arrears to the UPU and which has credits owed to it by other Union member countries draws up the necessary credit assignment agreements, signs them and sends them to its debtors, asking them to sign the agreements and return them to it;

- Debtors which agree to the proposed assignment accede to the request and return the signed agreement to the member country initiating the assignment;
- The latter sends the completed agreement to the International Bureau for approval and signature. The International Bureau will send a copy of the agreement to the two parties for implementation;
- UPU will advise the signatories of the credit assignment agreement when payment is received. If the debt is not paid, the International Bureau will enter it as arrears of the new debtor member country towards the Union.

(e) (ii) (b) Settlement agreements

The member country may also send the International Bureau an agreement under which another member country undertakes to settle its arrears of contribution within a period of six weeks. The assignment agreement under which a member country has undertaken to pay the arrears of contribution of another member country towards the Union lapses if payment is not made within a period of six weeks from the date the agreement is signed. In that case, the situation of the member countries which are party to the Agreement remains unchanged with regard to the Union.

(e) (iii) Debt-rescheduling agreement

The debt-rescheduling agreement is a measure that has been applied for many years to enable a member country to clear up its financial situation with the UPU. The maximum duration of such agreements was set at ten years by the Beijing Congress. A member country which has received notification from the Director-General concerning the situation of its arrears which is unable to regularize them immediately and which, moreover, is not owed any credits by other Union member countries sends a letter to the Director-General (within a period of six weeks) asking him to grant it a debt-rescheduling agreement over a period which may not exceed ten years. The International Bureau then prepares the agreement and sends it for signing to the debtor country, which must return it signed within six weeks of the date on which the agreement is drawn up.

It is essential that the amortization schedule is implemented in full and on time. If the delay in payment represents a sum equal to or more than two years' amortization payments, the agreement is regarded as null and void and automatic sanctions are triggered. It is stipulated that, in parallel to the annual payments provided for in the debt-rescheduling agreement, annual mandatory contributions must be paid normally. A further debt-rescheduling agreement may not be concluded within a period of two years following the Director-General's letter notifying cancellation of an agreement not complied with.

(e) (iv) Combination of variants

If a member country has opted for credit assignment but does not have sufficient credits owing to it to clear up its situation, it may choose the debt-rescheduling method for the amount of arrears not covered by the credit assignment. Similarly, a member country that has opted for rescheduling could use assignment as a means of speeding up payment of the amounts owing.

(f) Transitional arrangements (if a member country has already signed a debt-rescheduling agreement)

If a member country is already party to a rescheduling plan and has accumulated further arrears since signing the debt-rescheduling agreement, it may request a revision of the agreement to include the new arrears. This would be a one-time transitional measure that takes account of the existence of an amortization schedule before the new automatic sanctions system came into force.

(g) Deadlines to be met

From the date of dispatch of the Director-General's letter (normally in January) announcing that the amount of arrears of contributions is equal to or more than the amount of the mandatory contributions owed by the member country for the preceding two financial years, the member country concerned has:

Six weeks to:

- pay the debt (in whole or in part) so as to bring the amount of the arrears of contributions below the sum of the mandatory contributions owed for the preceding two financial years;
- send a letter to the Director-General in which it indicates that it intends to assign all or part of the credits owed to it by one or more member countries: it attaches to this communication a copy of the letter sent to the member country or countries notifying them of its wish to assign its credits to the IJPU;
- send a letter to the Director-General asking him to grant it a debt-rescheduling agreement over a period which may not exceed ten years;

A further six weeks:

- (from the date of dispatch of the above communication) to send the International Bureau a copy of the assignment agreement signed by itself and its debtor or debtors;
- (from the date on which the International Bureau draws up the agreement) to return the debt-rescheduling agreement duly signed to the International Bureau;

A further six weeks:

- a member country which has become newly in debt to the UPU as a result of an irrevocable credit assignment agreement has six weeks from the date of its signature to make payment to the UPU. failing which the UPU will enter it as arrears of the new debtor member country towards the UPU;
- in the event of failure to comply with the payment deadline of six weeks provided for in the other assignment agreements, the UPU will maintain unchanged the situation prior to signature of the assignment agreements.

(h) Notification of automatic sanctions

If a member country refuses to participate in one of the systems for paying its arrears of mandatory contributions or fails to meet the mandatory deadlines (paragraph (g) above), automatic sanctions shall be imposed on it (paragraph (b)

above). However, the entry into force of the automatic sanctions will be preceded by a final reminder from the Director-General mentioning:

- the amount and age of the arrears;
- the sanctions imposed in the event of failure to conclude a rescheduling agreement or an irrevocable credit assignment agreement.

The reminder should encourage the member country concerned to adopt urgently one of the accepted recovery methods. If the International Bureau receives no response to the matter within six weeks of the date of dispatch of the reminder, the Director-General will formally declare the immediate application of sanctions on the member country concerned. All member countries are also notified formally of this decision by means of an International Bureau circular. The Director-General also reports on the measures taken In this context to each meeting of the Council of Administration. The list of member countries subject to sanctions will also be given in the UPU Financial Operating Report.

(i) Lifting of sanctions

The sanctions will be lifted as a matter of course and with immediate effect as soon as the member country concerned has paid its debts to the Union or concluded assignment agreements covering the whole of the debt or a debt-rescheduling agreement. Member countries will also be notified of the lifting of sanctions.

7. International Telecommunication Union (ITU)

29. According to Article 28, No. 169, of the Constitution and Convention of the International Telecommunication Union (ITU),

> "A Member which is in arrears in its payments to the Union shall lose its right to vote as defined in Nos. 27 and 28 of this Constitution for so long as the amount of its arrears equals or exceeds the amount of the contribution due from it for the preceding two years."

30. The Plenipotentiary Conference of the Union (Minneapolis, 1998) has adopted COM7/7 in respect of all Member States and sector members in arrears. This:

> "*instructs the Council*
>
> "to establish guidelines for repayment schedules, including a maximum duration, as well as for appropriate additional measures such as, for example, temporary reduction in class of contribution, in particular for LDCs, and to take additional measures in respect of non-compliance with the agreed terms of settlement, such as suspending Sector Members' participation in the work of the Union,
>
> "*further instructs the Council*
>
> "to review the appropriate level of the Reserve for Debtors' Accounts with a view to covering outstanding amounts fully, and to report to the next Plenipotentiary Conference on the results obtained in pursuance of this resolution,
>
> "*authorizes the Secretary-General*

"to negotiate and agree upon, with all Member States in arrears, especially those for which special arrears accounts have been established, as well as with Sector Members in arrears, schedules for the repayment of their debts in accordance with the guidelines established by the Council, and, where appropriate, to submit for decision by the Council proposals for additional measures as indicated under *instructs the Council* above including those related to non-compliance,

"*instructs the Secretary-General*

"to inform all Member States and Sector Members in arrears or having special arrears accounts of this resolution and to report to the Council on the measures taken and progress made towards the settlement of debts as well as on any non-compliance with the agreed terms of settlement,

"*urges Member States and Sector Members*

"to assist the Secretary-General and the Council in the application of this resolution."

31. As of 31 December 2000, there were 51 Member States in arrears, and 24 of them had lost their right to vote. In application of the Resolution of the Plenipotentiary Conference of Minneapolis, 1998, 10 Member States have special arrears accounts. Special arrears accounts have been cancelled for five Member States. Council 2000 endorsed the requests from two Member States for a repayment schedule of 10 years.

32. At its ninth Plenary Meeting, the ITU Council approved guidelines for repayment schedules for the settlement of Arrears and Special Arrears Accounts. The agreement establishing a repayment schedule and associated conditions are as outlined below:

a. Any repayment schedule and the associated conditions shall be laid down in a written agreement concluded between the debtor concerned and the ITU Secretary-General, in line with the guidelines set out below. This agreement must be concluded no later than one year after receipt by the Secretary-General of the written request for a special arrears account to be opened. For existing special arrears accounts opened before 6 November 1998, repayment schedules shall be concluded by 6 November 1999 at the latest.

Modalities

b. Arrears subject to an agreement establishing a repayment schedule shall be transferred to a special arrears account bearing no interest. The amounts transferred to a special arrears account may include assessed contributions due, or interest on overdue payments, or both.

Recovery of rights

c. A Member State which concludes a written agreement with the Secretary-General setting out a specific repayment schedule for the settlement of its arrears shall recover the right to vote lost on account of its arrears as from the date of receipt by ITU of the first instalment in accordance with the terms of the written agreement, subject to the provisions of No. 210 of the Constitution. Similarly, for a Sector Member which concludes such a written agreement with the Secretary-

General, the suspension of its participation in the work of the Sector or Sectors concerned shall be lifted as from the date of receipt by ITU of the first instalment in accordance with the terms of the written agreement.

Repayment period

d. The maximum repayment period for Member States and Sector Members is five years. However, for Member States listed as Least Developed Countries (LDCs) by the United Nations, the repayment period may be extended to ten years.

e. A Member State wishing to settle its arrears within a shorter period than that indicated in paragraph 4 may, for this purpose, request a **temporary reduction** in its class of contribution, provided that this reduction complies with the scale of contributions set out in Article 33 of the Convention. Such a request, duly substantiated, shall be submitted to the Council for approval.

f. If, however, the Member State concerned subsequently chooses, during the repayment period, to reduce its class of contribution under the relevant provisions of Article 28 of the Constitution, the temporary reduction approved by the Council will only apply up to the date of entry into force of the new class chosen under Article 28.

Writing off of interest on overdue payments

g. Subject to prior approval of the Council, granted on a case-by-case basis, the interest on arrears accrued by a Member State or Sector Member may be partially or totally written off. This action will however only become effective once the amount owed stipulated in the repayment agreement concluded between the Member State or Sector Member concerned and the Secretary-General has been settled **in full**. As stipulated in paragraph 32 (b) above, no interest on overdue payments is calculated during the repayment period.

Sanctions

h. Failure to comply strictly with the agreed terms and conditions of the written agreement establishing the specific repayment schedule and with the associated conditions shall result in abolition of the special arrears account and the associated conditions with immediate effect, and restoration of the sanctions foreseen in the basic instruments of the Union or in the decisions of the Council.

i. During the repayment period, the debtor shall continue to pay annually its assessed contribution in full. Any failure in this respect (i.e. if the debtor falls into arrears on all or part of its assessed contribution) shall result in the abolition of the special arrears account and immediate termination of the written agreement with the Secretary-General.

Effective date

j. The Council adopted the present guidelines at its 1999 session. These guidelines shall enter into force on 25 June 1999.

k. These guidelines are not applicable to repayment schedules agreed upon before 25 June 1999, which remain subject to strict compliance with the agreed

terms of settlement. A debtor failing to respect such previously agreed terms shall be requested to renegotiate the terms of settlement under these guidelines.

l. The cases of certain countries affected by exceptional circumstances such as natural disasters will be subject to decision by the Council at the proposal of the Secretary-General.

8. World Meteorological Organization (WMO)

33. Resolution 35 (Cg-XII) of the World Meteorological Organization (WMO) Congress, concerning the settlement of long-outstanding contributions, inter alia:

> "*Invites* all defaulting Members to conclude an agreement with the Organization for the settlement of their arrears over a period not exceeding 10 years in addition to the payment of the current contribution in full in the year for which they are due; the conclusion of such agreements is, however, subject to the prior settlement in full of any advance due to the Working Capital Fund;
>
> "*Authorizes* the Executive Council, or President of WMO on its behalf, to suspend the application of the provisions of Resolution 37 (Cg-XI) when it is satisfied that such agreements have been formally concluded and its provisions are adhered to by the defaulting Member."

34. Loss of voting rights is applied when a member is in arrears for more than two years.

35. WMO's standard "repayment agreement" includes, among other elements, the following:

(a) Repayment of the arrears due in equal instalments over a period of 10 years;

(b) Concurrent payment in full of the assessed contribution for each of the financial years covered by the instalment period for the settlement of arrears;

(c) Payment on the due date of any advance that may become due to the Working Capital Fund of the Organization, as may be decided by the World Meteorological Congress;

(d) Timing of the first payment of instalment of arrears, as well as current assessed contribution;

(e) Validity of the agreement until the last instalment due is credited to the Organization;

(f) Suspension of voting rights in case of any interruption in the payments due, unless at that time the Government concerned would no longer be in arrears for more than any two financial years, in which case the application of the agreement would be suspended and its provisions might be restored if both parties were to agree on the rephasing of the payments of arrears.

9. International Maritime Organization (IMO)

36. Article 56 of the International Maritime Organization (IMO) Convention provides as follows:

"Any Member which fails to discharge its financial obligation to the Organization within one year from the date on which it is due, shall have no vote in the Assembly, the Council, the Maritime Safety Committee, the Legal Committee, the Marine Environment Protection Committee or the Technical Cooperation Committee unless the Assembly, at its discretion, waives this provision."

37. The following are Rules 56 bis and 56 ter of the Rules of Procedure, which provide the detailed procedures regarding the application of Article 56, as amended by Resolution A.781 (19) adopted on 13 November 1995:

Rule 56 bis

"(a) The Secretary-General shall send at least one written notification to any Member that has failed to discharge its financial obligations to the Organization under Article 56 of the Convention. The notification shall call the attention to the terms of Article 56 regarding the loss of vote in the Assembly, the Council, the Maritime Safety Committee, the Legal Committee, the Marine Environment Protection Committee, the Technical Cooperation Committee and the Facilitation Committee;

"(b) Any Member wishing to request a waiver of the provision of Article 56 in respect of itself shall submit a written application to the Secretary-General at least one month before the Assembly giving reasons therefor, with a payment schedule indicating the timescale over which arrears will be paid;

"(c) The Secretary-General shall submit to the Council a list of members that have failed to discharge their financial obligations, together with any requests for waiver of the provision of Article 56 that have been received from any such Members;

"(d) The Council shall submit to the Assembly a report on the matter, together with its recommendations on the submission by any Member of a request for waiver of the provision of Article 56 of the IMO Convention;

"(e) The Assembly shall consider the report of the Council at the commencement of each session. Taking into account the recommendations of the Council, and assessing each application on its individual merits, the Assembly shall take decisions on the waiver of the provision of Article 56 of the Convention in respect of any or all of the Members from which requests for waiver have been received, together with any conditions attached to such a waiver;

"(f) A decision to waive the provision of Article 56 may only be taken in respect of a Member that has submitted a request for waiver in accordance with subparagraph (b) above;

"(g) A decision to waive the provision of Article 56 will normally be taken only in respect of a Member that has discharged in full the requirements, at the date of submitting the request for waiver, of the financial undertaking given under the terms of any previous request for waiver;

"(h) In exercising its discretion, the Assembly normally considers an application for waiver from a Member whose payments are three years or more in arrears."

Rule 56 ter

"Any Member seeking election to the Council shall have discharged its obligations to the Organization or shall have committed itself at least one month before the Assembly to a schedule of payment submitted to the Secretary-General to do so and shall have complied with the terms of any previously agreed schedule of payment. Should any Member not meet these terms, that Member shall not be eligible to seek election at that Assembly."

10. World Intellectual Property Organization (WIPO)

38. The loss of voting rights is applied to all Member States having arrears in contributions that equal or exceed the amount of the contributions due in respect of the two full preceding years. Any such Member State, which has accumulated considerable arrears, may make arrangements with the World Intellectual Property Organization (WIPO), in order to pay those arrears (along with any unpaid advances to working capital funds) by yearly instalments over a period of up to 10 years, and may request to have the voting right, that it would otherwise have lost, restored by the Assembly concerned. Maintaining the arrangement requires the payment of current contributions in addition to the instalments. The pre-1990 arrears of Least Developed Countries (LDCs) which are placed in their special "frozen" account are not taken into consideration when determining whether there is a loss of voting right.

39. At present, there are two Member States which have concluded arrangements with the Organization to pay the arrears of contribution by yearly instalments, during a period of four and ten years, respectively. The total amount of arrears involved are approximately 272,000 Swiss francs.

11. United Nations Industrial Development Organization (UNIDO)

40. Article 5.2 of the Constitution of the United Nations Industrial Development Organization (UNIDO) provides that A(a)ny Member that is in arrears in the payment of its financial contributions to the Organization shall have no vote in the Organization if the amount of its arrears equals or exceeds the amount of the assessed contributions due from it for the preceding two fiscal years. Any organ may, nevertheless, permit such a Member to vote in that organ if it is satisfied that the failure to pay is due to conditions beyond the control of the Member. This principle is confirmed by rule 91 of the rules of procedure of the General Conference. It should be noted, however, that decisions are generally made by consensus so that the procedure has never been invoked.

41. The policy-making organs of UNIDO established an inter-sessional open-ended discussion group of Member States on timely payment of assessed contributions which submitted its recommendations to the Industrial Development Board (IDB) in May 1998. The Board adopted the report and requested the Director-General to take forward the measures recommended therein. Among these recommendations, the group proposed provision for payment plans. In this connection, the group made distinct proposals for the least developed countries and other Member States.

42. Under a payment plan, the eligible Member States among least developed countries may choose to pay arrears of assessed contributions in local currency,

converted into United States dollars by the United Nations Development Programme (UNDP) subject to its requirements for such currency.

43. Under the model procedure proposed as a reference in the individual negotiations between the applicant Member State and the Organization, the plan shall include:

(a) A provision by which UNDP is willing to accept the local currency based on the local cash requirements of its field offices;

(b) The period for its implementation: the maximum period for the payment plan should not exceed five years;

(c) The annual amount of arrears to be paid (in addition to the annual assessed contribution);

(d) The date and the amount of the first payment;

(e) A provision by which UNDP will transfer the equivalent in convertible currency directly to UNIDO headquarters;

(f) The reference to the eventual exchange rate gains or losses which would be credited or debited to the Member State concerned;

(g) A commitment from the Member State to pay its future assessed contributions in full and on time and in accordance with the financial regulations.

44. Voting rights are governed by the respective rules of procedure of the governing bodies, that is to say, rule 91 of the General Conference, rule 50 of IDB and rule 42 of the Programme and Budget Committee. When considering applications for the restoration of voting rights, the competent body may regularly take into account the state of payments made under an agreed payment plan.

45. In the case of non-adherence to the agreed payment plan, including the payment of the current year's contribution, the remaining amount owed by the Member State should be regarded as arrears.

46. For other countries, it is possible that arrears be settled through payment plans as described above, in United States dollars and Austrian schillings, established as a framework through appropriate negotiations undertaken at the initiative of the interested Member State.

12. International Atomic Energy Agency (IAEA)

47. In accordance with article XIX.A of the Statute of the International Atomic Energy Agency (IAEA),

> "A member of the Agency which is in arrears in the payment of its financial contributions to the Agency shall have no vote in the Agency if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two years. The General Conference may, nevertheless, permit such a member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the member."

48. In September 1998, the General Conference adopted certain criteria and guidelines for consideration of requests for the restoration of voting rights and the

Agency introduced specific measures to facilitate the payment of contributions by Member States in arrears.

49. A Member State in arrears that wishes to have its voting rights restored can agree to a payment plan consisting of outstanding advances to the working capital fund, equal annual instalments to pay off the total amount in arrears to the regular budget and the current year's assessed contribution. The maximum duration of the plan is not to exceed five years. In addition, members considered to be least developed countries may pay their agreed payment plans in local currency through the UNDP offices in their respective countries. Non-compliance with the conditions of the payment plan will automatically deprive that Member State of its voting rights. One Member State has been participating in a payment plan since June 1999. Negotiations are in progress with another Member this year for participation in a payment plan.

13. Organization of American States (OAS)

50. Article 55 of the Charter requires each Member State to "contribute to the maintenance of the Organization" by way of a quota established by the General Assembly.

51. Article 102 of the General Standards to Govern the Operations of the General Secretariat (General Standards), adopted by the General Assembly, establishes that quotas "shall be annual ..., paid within the deadline established during the year in question, and shall be considered due on the first day of the corresponding fiscal period," and Article 103 of the General Standards specifies that quota payments "shall be credited against the balance pending from the earliest fiscal period for which the money is owed," unless the Permanent Council agrees otherwise.

52. In recognition of the need to encourage more timely payment of quotas and the payment of arrearages, the General Assembly, by AG/RES.1757 (XXX-O/00) of 6 June 2000, adopted the following measures to encourage the timely payment of quotas:

(a) Definitions

1. Member State is "current" when it is up to date with all payments to the Regular Fund in accordance with its obligations to pay quota assessments under Articles 102 and 103 of the General Standards. For the purposes of this provision, quotas are due and payable on the first day of the corresponding fiscal period. Similarly, as an exception to Article 102 of the General Standards, Member States that pay their quotas in full by 30 April are "current". After that date, quotas are past due until paid in full.

2. "Considered current": A Member State is "considered current" when:

(a) It is no more than two years in arrears, has entered into a payment plan with the General Secretariat by 30 April of the current fiscal year for the payment of those arrears, and is in compliance with those terms. Any payment plan that extends the payment period for more than two years must be approved by the Permanent Council, upon the recommendation of its Committee on Administrative and Budgetary Affairs (CAAP). For purposes of this provision, a Member State will be considered two years in arrears during the current fiscal period if, by 1 May of that period, it owes two years of quota

assessments (that is, the assessment for the current fiscal period and an amount equal to or greater than the assessment for the immediately prior fiscal period);

(b) It has not satisfied the requirements of the preceding provisions, but the Permanent Council has determined, after hearing the Member State, that the State is not able to make payments in accordance with a satisfactory payment plan or generate revenue to satisfy public obligations; a state of armed conflict within the last 36 months requiring the debtor State to divert an unforeseen and substantial amount of its revenues to self-defence; circumstances of a similar nature which in the judgement of the Member States prevent a Member State from satisfying its debt to the Organization without creating severe and undue hardship for that State. The Permanent Council shall examine each case on its own merits. Past precedents established by the Permanent Council, while not binding, shall be taken into account.

3. "Not current": A Member State is "not current" when it does not fall within the definition of "current" or "considered current" above.

4. "Years in arrears": This is the number of years for which quotas are still owed by a Member State as of 1 May of the current fiscal period, regardless of whether the Member State has entered into a payment schedule and is in compliance with that schedule.

(b) Measures

1. Member States that pay all their quota assessment for the current fiscal period by 30 April of that period are entitled to the following discounts: 3 per cent of the amount paid by 31 January and 2 per cent of the amount paid between 1 February and 30 April. The discount shall be applied to the quota assessment for the next fiscal period.

2. Only Member States that are "current" or "considered current" shall be eligible to host meetings (including, but not limited to, conferences, meetings of ministers and experts, workshops, and seminars) of the Organization directly funded, in whole or in part, by the Regular Fund.

3. The following procedures shall apply to elections conducted by the General Assembly or by the councils of the Organization:

(a) When circulating to the Member States documents presented by a Member State nominating a candidate the General Secretariat shall indicate in the transmittal notice whether the nominating Member State is "current", "considered current", or "not current";

(b) Within one week prior to holding the election and, again, immediately prior to taking the corresponding vote, the General Secretariat shall circulate a statement among all delegations indicating the countries which are "current", "considered current", and "not current". The statement shall also show the number of years each such country is in arrears. No vote shall be held until this information has been circulated and the delegations so notified; and

(c) The respective electing organ can specifically take into account the condition of those States that are "not current".

4. At the beginning of each quarter of the fiscal year, the General Secretariat shall send to each foreign minister of each Member State, through its Permanent Representative to the Organization, a letter and statement of accounts setting out the amount of any quotas owed, requesting prompt payment of quotas past due under a payment plan or otherwise not timely paid, and describing the benefits they receive from making those payments.

5. In meetings of the Secretary-General with Heads of State and Government, Ministers of Foreign Affairs, and Ministers of Finance of Member States which are "not current", he shall remind them, as appropriate, to pay their past due quota assessments, and shall make quarterly reports to the Permanent Council on those discussions and other initiatives taken towards the timely collection of quotas.

(c) Exceptional forms of payment

The General Secretariat may negotiate arrangements with Member States that are "not current" for the payment in national currency, real estate, or other valuable assets, of quotas more than five years in arrears. Those arrangements shall enter into force only upon approval by the Permanent Council, upon the advice of its Committee on Administrative and Budgetary Affairs, and only upon a determination that:

(a) In the case of national currency or other valuable assets, the General Secretariat will not be financially prejudiced by the acceptance of that currency or assets; and

(b) In the case of real estate, the General Secretariat will, over a reasonable time, earn income or generate savings from the property in occupancy, use, sale or rental of the property in an amount equal to or greater than the corresponding arrears.

(d) Transitory provision for Member States more than five years in arrears

1. Member States in arrears for more than five years as of 31 December 1999, shall be "considered current" until 31 December 2002, provided they do all of the following:

(a) Pay the quotas for the 2000 fiscal period by 31 August 2000, or otherwise enter into a payment plan with the General Secretariat by that same date for the payment of those quotas by 31 December 2000;

(b) Enter into a payment plan with the General Secretariat by 31 August 2000, to pay by 31 December 2002, the quotas owed for the 1998 and 1999 fiscal periods;

(c) Enter into a payment plan with the General Secretariat by 31 December 2000, for the payment of the amounts owed for fiscal years prior to 1998, and if that plan involves payments in local currency or real estate, obtain the necessary approval of the Permanent Council by that date. This payment plan must provide for a final payment of those amounts owed no later than 31 December 2005;

(d) Pay the quotas for the 2001 fiscal period by 30 April 2001, or otherwise enter into a payment plan with the General Secretariat by that same date for the payment of those quotas by 31 December 2001;

(e) Pay the quotas for the 2002 fiscal period by 30 April 2002, or otherwise enter into a payment plan with the General Secretariat by that same date for the payment of those quotas by 31 December 2002;

(f) Remain in compliance with the foregoing payment plans.

2. For purposes of facilitating compliance with the requirements of the foregoing section, Member States wishing to qualify as "considered current" under that provision may designate the percentage of each payment made which they wish to have credited to the current fiscal period and, as a special exception to Article 103 of the General Standards permitted hereunder, the General Secretariat will credit that payment in accordance with the Member State's designation.

3. The Permanent Council shall, at the request of any Member State that is "considered current" under this Transitory Provision, extend the "considered current" status of that State beyond the year 2002, provided the State continues to pay or otherwise enter into a payment plan for the payment of quota assessments in each subsequent fiscal period for that period and remains in compliance with that plan and the payment plans for the pre-1998 quotas past due.

4. Member States that have agreed to payment plans with the General Secretariat for the payment of past due quotas prior to the adoption of this resolution and which are in compliance with these plans on the date of this resolution shall be "considered current" for as long as they remain in compliance.

14. World Trade Organization (WTO)/General Agreement on Tariffs and Trade (GATT)

53. In October 1988, the GATT Council approved a recommendation on administrative arrangements for improving the cash situation of the GATT, which included, as a final stage (Category IV):

> "Should a contracting party be in arrears for three full years' assessed contributions at the end of GATT's financial year, the situation would be reviewed by the Committee on Budget, Finance and Administration with a view to proposing, as appropriate, other measures to the Council to reinforce the obligation to pay contributions." (see disincentive measures below for measures currently in force)

The existing GATT procedures, i.e. administrative measures for dealing with arrears that were introduced from 1 January 1989 (excluding outstanding contributions relating to 1987 and/or earlier assessments) continue to be implemented by the WTO without having been formally adopted by the WTO General Council.

These measures, to be applied, where appropriate, after three months' notice by the Secretariat to the contracting party concerned and the granting of a grace period of one month,* comprise the following categories:

- Documentation would not be posted to delegations to the GATT in Geneva,
- Representatives would not be nominated to preside over GATT bodies.

After more than one but less than two full years' assessed contributions remain outstanding at the end of GATT's financial year:

- Documentation would not be posted to delegations to the GATT in Geneva,
- Representatives would not be nominated to preside over GATT bodies,
- New membership to and participation in the Committee on Budget, Finance and Administration would be reserved for contracting parties whose contributions are paid or who have not more than one full year's assessment outstanding.

After two but less than three full years' assessed contributions remain outstanding at the end of GATT's financial year:

- Documentation would not be posted to delegations to the GATT in Geneva,
- Representatives would not be nominated to preside over GATT bodies,
- New membership to and participation in the Committee on Budget, Finance and Administration would be reserved for contracting parties whose contributions are paid or who have not more than one full year's assessment outstanding,
- Documentation would not be posted to contracting parties,
- Recommendations by the Committee on Budget, Finance and Administration to the Council or CONTRACTING PARTIES on financial matters would be acted on only by contracting parties whose contributions are paid or who have less than two full years' assessments outstanding.

After three full years assessed contributions remain outstanding at the end of GATT's financial year, the final stage (Category IV) as indicated above would be implemented.

* The first grace period will be extended to 30 June 1989. All contributions received from 1 January 1988 to 30 June 1989 will, in the first instance, be credited against the 1988 assessment unless otherwise instructed by the contracting party concerned. All contributions received after 30 June 1989 will, in the first instance, be credited against the oldest outstanding contribution beginning with 1988.

B. Incentive measures for timely payment of assessed contributions

Organization	*Nature of scheme*	*Conditions of introduction*	*Main characteristics* [a]	*Experience*
International Labour Organization (ILO)	Distribution to contributors of a proportion of interest and of currency forward-purchase premium earnings.	Introduced effective 1 January 1989 for experimental period of two years and continued on a permanent basis as from 1 January 1991.	(i) (a) 60 per cent of interest earned on temporarily surplus regular budget funds; plus (b) 50 per cent of net premium earned on forward purchase of United States dollar requirements; (ii) Eligibility depends on Member State's being fully paid up at end of each year; (iii) Credits to eligible Member States' assessed contributions are as follows: (Swiss francs (Sw F)) 1991 SFR 1 692 226 1992 SFR 1 823 866 1993 SFR 8 460 546 1994 SFR 818 781 1995 SFR 1 988 136 1996 SFR 453 419 1997 SFR 3 957 676 1998 SFR 211 016 (iv) *S* curve.	Experience to date does not show any perceptible difference in collection performance. 1999 SFR 1 633 418 2000 SFR 798 028 2001 SFR 12 464 856
Food and Agriculture Organization of the	(i) Allocation among member nations of the interest income element	Introduced effective with the biennium 1988–1989, beginning 1 January 1988,	Applies to all interest earnings forming a part of a cash surplus (does not apply if no cash surplus arises, or to interest income	In the absence of cash surpluses, member nations have had no

Organization	*Nature of scheme*	*Conditions of introduction*	*Main characteristics*[a]	*Experience*
United Nations (FAO)	of any cash surplus, on a weighted basis, in accordance with the amount and the timing of payment of contributions during the financial period.	without time limit on applicability.	estimated in advance and applies against budgetary appropriations to determine assessed contributions). All member nations paying a contribution during the financial period are eligible to share in the allocation, regardless of whether the contribution paid is against arrears or current assessments, and irrespective of the status of outstanding assessments of the member nations at the end of the financial period. Detailed measures for the calculation of allocations have not yet been formalized.	real incentive under the scheme so far.
	(ii) Discount to be credited to member nations for payment by 31 March of assessed contributions.	Experimental test introduced effective 1 January 1993.	To be applied to assessed contribution of member nations that meet the following criteria: - Payment of full assessment to 31 March; - No arrears outstanding. The discount earned is to be credited to member nations in the year after payment, and the discount total is not to exceed the interest earned on regular programme investments during that year. The discount rate (percentage) is to be determined by the Director-General in consultation with the FAO Finance Committee.	Experience for 1993 and 1994 showed little impact on the rate of receipt of contributions.
United Nations Educational, Scientific and Cultural Organization (UNESCO)	Distribution to Member States of interest earned on investment of regular programme funds excluding Working Capital Fund in accordance with timing and amount of contributions paid. As of 1996, resources to be distributed have been extended to budget	Introduced effective 1 January 1988 for a trial period of four years and continued for a further two bienniums commencing 1 January 1992. Continued in a modified form for a further three bienniums 1996-2001.	Available resources on regular programme funds are distributed on the *S* curve points system to Member States that have paid in full their contributions for each year of the financial period. The appropriate share is distributed at the end of the first year of the two-year financial period following that in which the available resources were brought to account.	Since the introduction of the scheme in 1988-1989, arrears of contributions at the end of each biennium have increased, both in dollar terms and in terms of percentages of amounts assessed. Owing to the

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
	surpluses and miscellaneous income.			deterioration in the cash position, less than $1 million became available for distribution under the scheme for 1990–1991 and nothing at all became available during the following two bienniums. In 1996–1997, the inclusion of surplus and miscellaneous income in the revised scheme has allowed the distribution of US$ 10 million in January 1999. However, only US$ 0.7 million was available in January 2001.
International Civil Aviation Organization (ICAO)	Distribution of interest earnings.	Introduced effective 1 January 1987 for an indefinite period. First distribution 1 January 1990.	Bank interest earned on regular programme funds is distributed: (i) According to points earned through the *S* curve formula, to Member States that have paid all or part of their contributions for the three years preceding the assembly; as well as (ii) According to shares of undistributed	Even though the incentive scheme has not influenced a large number of States with respect to paying their assessed contributions in full and on time, it has clearly benefited

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
			surpluses accrued from previous years' budgets, to Member States that have paid their contributions in full in the years in which the surpluses were determined. Such distribution is to be made to the extent that the cash surplus available for distribution is greater than or equal to the bank interest earned.	the early payers and thus addressed the inequality in cost-sharing between early and late payers. It may have encouraged those States paying on a timely basis to continue doing so.
	Surplus incentive.	Introduced effective 1 January 1999.	From 1 January 1999, for a three-year trial period, any State with arrears equivalent to three full years of assessments or more that enters into an agreement to liquidate their arrears over a period of time, and is complying with the terms of its agreement, shall have their share of surplus credited to them even though they have not paid the assessments for the financial years for which the surplus had been determined.	
	Payment incentive.	Introduced effective 1 January 1999.	Effective 1 January 1999, for a three-year trial basis, payments from contracting States with arrears of three full years or more will be retained in a separate account to finance expenditure on new and unforeseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes.	
World Health Organization (WHO)	Distribution of interest earnings to contributors.	Introduced with effect from contribution payment record for 1989, for distribution as from the budget for 1992–1993.	(i) Interest income is the only distributable item and has been applied as follows: *Interest earning period and payment record* / *Financial period in which distributed* / *Amount distributed (US$)*	Although there was a discernible improvement in the timing of payment of contributions by members in 1990 and

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
			1989–1990 1992–1993 24 929 000 1991–1992 1994–1995 12 741 000 1993–1994 1996–1997 3 352 700 1995–1996 1998–1999 9 994 020 (ii) All current year contribution payments are eligible without regard to whether or not the contributor is fully paid up at year-end; (iii) First payment record, 1989. First distribution period, 1992–1993; (iv) *S* curve method.	1991 as compared with 1989, a subsequent deterioration due primarily to developments in Eastern Europe makes an assessment difficult. The percentage increase in the number of incentive points earned by all members in real terms since inception (using 1989 as a base and after adjustment for the level of 1989 contributions) is as follows: *Percentage increase/decrease over 1989* 1990 20.00 1991 33.28 1992 23.82 1993 15.07 1994 10.31 1995 24.91 1996 27.16 1997 27.20 1998 (5.67)
				It is uncertain as to how effective this scheme really is at

WHO also operates a financial incentive scheme that rewards prompt payment of assessed contributions

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
	contributions			**securing prompt payment, given that most countries only qualify for small credits under this scheme.**
World Meteorological Organization (WMO)	Distribution of interest to contributors.	Introduced effective 1 January 1988 for an experimental period of four years, and extended by: (a) Eleventh Congress in May 1991 for a period of four years, from 1992 to 1995; (b) Twelfth Congress in June 1995 for a further period of four years, from 1996 to 1999. (c) Thirteenth Congress in May 1999 for a further period of four years, from 2000 to 2003.	Incentive scheme will apply to that part of the cash surplus for the financial period (four years) that represents interest credited to the General Fund, other than interest earned on the Working Capital Fund. Points are calculated by *S* curve formula taking account of any current year's contribution paid, and the date of payment. Note: full payment for current year is not a condition for earning points.	There is no positive evidence that scheme has had any effect on the promptness of payment of contributions.
International Maritime Organization (IMO)	Distribution of interest earnings to Member States for the payment of current year's contributions.	The scheme was introduced with effect from 1 January 1988. The incentive points gained in 1988 and 1989 will be accumulated with those gained in 1990, and the first allocation under the incentive scheme will be based on the ratio of Member States' incentive points in the period 1988–1990 to all incentive points gained in the period 1988–1990; the amount to be allocated will be interest	Incentive points are awarded in accordance with the formula that relates the date of payment towards current year's contribution to the number of incentive points. Points are awarded per 1,000 pounds of current year's contributions paid. The formula used to award the points is as follows: Points = 5 x 3 (125 - 250 x day - 360). At the end of each year, the ratio of each Member State's points to the total points awarded to all members is calculated.	The rates of receipt are shown below: 31 December (percentage) / 31 March (percentage) 1988 76 32 1989 78 35 1990 68 30 1991 78 25 1992 76 28 1993 91 39 1994 89 34 1995 97 37 1996 96 32 1997 92 38

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
		earnings on contributions received in 1990. Therefore, the first year of distribution will be 1992 in accordance with the penultimate paragraph under "Main characteristics". Years 1999 and 2000 ended with cash deficits and no distributions of interest earned were effected.	The interest earnings on contributions received in the year for which incentive points have been established will be allocated among Member States in accordance with ratios calculated as indicated above. Distribution of interest earnings will be made in the second year after the year for which incentive points are allocated, if there is a sufficient cash surplus in that year. If the cash surplus is not sufficient, distribution will be made from the first cash surplus arising in a subsequent year. The allocation will be used first to meet any outstanding arrears of contributions of a member and secondly to reduce the contribution of a member in the year when the allocation was made.	1998 82 30 1999 88 36 2000 93 31 *Incentive points gained* / *Amount (Pounds £) Distribution* / *Year of* 1988-1992 590 839 1994 1993 199 729 1995 1994 181 914 1996 1995 314 732 1997 1996 249 889 Deferred to 1999 1997 382 049 Due in 1999 1998 286 583 Due in 2000

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
United Nations Industrial Development Organization (UNIDO)	Distribution of interest earned under the regular budget.	Proposals by the open-ended discussion group on timely payment of assessed contributions (IDB.19/12), adopted by the Industrial Development Board (IDB) in May 1998. The Board requested the Director-General to take forward the measures recommended in the group's report. The group highlighted the need to request the inter-sessional working group on proposed amendments to the Financial Regulations of UNIDO to take the governing bodies' decisions in this respect fully into account.	*S* curve.	Extensive discussions, as well as drafting of numerous payment plans had taken place with a number of Member States which had expressed interest in settling their arrears under Payment Plans. However, only two Member States have so far actually signed and deposited the first instalment under the PaymentPlan. Therefore,the experience has been very limited. As incentives for early payment, an 'incentive mechanism' (S-curve) had been established, but only a negligible amount has been accumulated that it does not justify the extensive administrative work required to solicit from each eligible Member State the utilization of its share. This amount, together with other amounts that may become available in the future, will be distributed to eligible Member States in accordance with the S-

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
				curve.
	More favourable consideration for UNIDO services, such as procurement and consultancy contracts, to the extent that the principle of the lowest technically acceptable bid is respected.			None yet.
Organization for Security and Co-operation in Europe (OSCE)	No requirement for additional cash contributions to the Revolving Fund and to the Contingency Fund	In accordance with decision No. 133 adopted by the Permanent Council of OSCE at its 76th Plenary Meeting on 27 June 1996, a Revolving Fund was established to meet the short-term cash flow requirements of duly authorized OSCE activities that may result from the thirty-day period foreseen in Financial Regulations 4.04 and 4.05 between billing and payment of assessed contributions. A total of ATS 37,290,000 was to be set aside for the one-time establishment of this Fund.	Participating States were to be billed for their assessed contributions to this Fund in the third bill for 1996. The accumulated cash balances of the Funds other than those of the Institutions for 1993, 1994 and 1995 were to be credited to participating States in the third bill for 1996 according to the criteria set out in Financial Regulation 7.07 (b), as a result of which no additional cash contributions to the Revolving Fund would be required from those States that are not in arrears.	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
		In accordance with decision No. 182 adopted at its 124th Plenary Meeting on 17 July 1997, the Permanent Council decided to establish a Contingency Fund to enable the OSCE to act immediately after the adoption by the Permanent Council of a decision on a new OSCE activity and to cover the corresponding financial requirements prior to the approval of the relevant supplementary budget. A total of ATS 30,000,000 was to be set aside for the establishment of this Fund.	Participating States are to be billed for their assessed contributions to the Fund. A cash surplus of funds, financed through assessed contributions during the financial year 1995, is to be credited against participating State's future contributions according to Financial Regulation 7.07 (b), and no additional cash contributions for establishing the Fund is to be required from those States that have contributed to the surplus.	
Organisation of African Unity (OAU)	Special recognition for those Member States who fulfil their obligations to the Regular budget of the Organization	By resolution CM/Res.1423 (LVII) adopted by the Council of Ministers of OAU at their fifty-seventh Ordinary session held in 1993, the Council decided to adopt a motion congratulating Member States who have paid up their contributions at the end of each February Session, listing names of countries that were being congratulated several times, many times or for the first time and to congratulate those Member States that are up to date in fulfilling their financial obligations to the Organization.		

C. Disincentive measures for late payment of assessed contributions

Organization	*Nature of scheme*	*Conditions of introduction*	*Main characteristics*[a]	*Experience*
Food and Agriculture Organization of the United Nations (FAO)	Ineligibility for election to the Council.	FAO Rule XXII.	No Member State shall be eligible for election to the Council if it is in arrears in an amount equal to or exceeding contributions due from it for the preceding two calendar years.	
Universal Postal Union (UPU)	Charges of interest on late payments.	Introduced by the Eighth Universal Postal Congress, Stockholm, 1924.	(i) The annual contributory shares are payable in advance; (ii) The amounts due bear interest from the beginning of each financial year at 3 per cent per annum during the first six months and at 6 per cent per annum from the beginning of the seventh month; (iii) Interest of 5 per cent from the seventh month after the date of shipment on invoices for publications and other supplies; (iv) Interest transferred to the Reserve Fund; (v) Loss of voting rights and eligibility to governing bodies.	High collection rate at the beginning of the financial year.
International Telecommunication Union (ITU)	Charges of interest on late payments.	Since the inception of ITU; included in the International Telecommunication Convention since 1973.	The annual contributory shares are payable in advance. The amounts due bear interest at 3 per cent per annum from the beginning of the fourth month of each financial year of the Union during the following three months, and at 6 per cent per annum from the beginning of the seventh month. The interest is charged from the financial year for which the	During the past 10 years, the percentage of total current years contributions received by the end of the first six months has been 85 to 93 per cent and over 91 per cent in most years.

Organization	*Nature of scheme*	*Conditions of introduction*	*Main characteristics*[a]	*Experience*
			contribution is due. ITU's interest charge is in addition to the loss of voting rights which follows a failure to pay in the two-year period.	
World Meteorological Organization (WMO)	Ineligibility to receive publications free of charge.	Article 31 of the Convention and resolution 37 (Cg-XI), the latter coming into force on 23 May 1991.	**Those members in arrears for more than two consecutive calendar years shall not receive publications of the Organization free of charge.**	
	Ineligibility for election.		**Nationals or representatives of such members shall not be eligible for nomination or renomination for elected offices of constituent bodies.**	
International Maritime Organization (IMO)	Ineligibility for election.	Rule 56*ter*	**Any member seeking election to the Council required to have discharged its obligations to the Organization or to have committed itself at least one month before the Assembly to a schedule of payments submitted to the Secretary-General in order to do so and shall have complied with the terms of any previously agreed schedule.**	
United Nations Industrial Development Organization (UNIDO)	Taking status of payment of assessed contributions into account, in elections and nominations.	Recommendations of inter-sessional discussion group, adopted by IDB in May 1998.	**Regional groups to consider payment status as one of the elements in designating their representatives to IDB and the Programme and Budget Committee and in nominating candidates for offices of sessions of the governing bodies.**	None yet.

Organization	*Nature of scheme*	*Conditions of introduction*	*Main characteristics*[a]	*Experience*
Caribbean Community (CARICOM)	Suspension of voting privileges tied to arrears.	Provisions of Treaty and operating rules of the Organization.	Paragraph 2 of Article 17 of "Protocol I Amending the Treaty Establishing the Caribbean Community" signed at Chaguaramas on 4 July 1973, states as follows: "Member States, whose contributions to the regular budget of the Community are in arrears for more than two years, shall not have the right to vote except on matters relating to the CARICOM Single Market and Economy, but may otherwise participate in the deliberations of Community Organs and bodies. The Conference may, nevertheless, permit such Member States to vote if it is satisfied that the failure to contribute is due to conditions beyond their control." In addition, the Financial Regulations of the Secretariat provide that the cost and all charges (including overdraft interest) payable as a result of monies borrowed, would be borne by those Member States whose contributions are one month or more in arrears, in proportion to the amount and the period during which sums are outstanding.	
Commonwealth Secretariat	Denial of membership privileges and technical assistance	Adopted by the governing bodies of the Commonwealth, based on the measures proposed at the Commonwealth Heads of Government Meeting in Auckland in 1995, to deal with the rising levels of arrears of contribution to the	a) All countries are expected to pay their annual contribution in full. Those countries which failed to meet their obligations and were three or more years in arrears (excluding the current year) to the Commonwealth Secretariat assessed budget and had not agreed to specific arrangements to pay such arrears, should not expect to be considered for technical	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
		Commonwealth Funds comprised of the Secretariat assessed budget, Commonwealth Fund for Technical Co-operation (CFTC), Commonwealth Youth Programme (CYP) and Commonwealth Science Council (CSC). The Secretary-General would in each case undertake prior consultations with the governments concerned in order to confirm that the measures outlined would be applied.	assistance from any of the Secretariat's budgets; b) When a country continued to remain in arrears in its contributions to the Secretariat's assessed budget for four or more years (excluding the current year), it would be deemed to have opted to become a special member. This would preclude attendance at Heads of Government Meetings; c) In order to benefit from technical assistance from the CFTC, a country, in addition to meeting its obligations to the Commonwealth Secretariat's budget, as set out in recommendation a) above, must have pledged at least four out of five years including the current year and should not be more than three years in arrears of payments (excluding the current year); In the case of the CYP, in addition to meeting its obligations in recommendation a) above, the countries must have pledged for at least four out of five years, including the current year, and must not be in arrears for more than three years, excluding the current year, in order to participate in the activities of the CYP and attend ministerial meetings; d) For the CSC, in addition to meeting its obligations in recommendation a) above, countries in arrears for three years or more, excluding the current year, would not be eligible to participate in the activities of the CSC and attend Council meetings.	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
World Tourism Organization (WTO)	Suspension of privileges and rights of membership	The provisions of paragraph 13 of the Financing Rules attached to the statutes of WTO are applied to those Members that are in arrears in the payment of their contributions for more than two years. These provisions were slightly modified in March 1981, and some more restrictive measures were added for those members subject to the above mentioned conditions, such as having to settle their arrears by paying a compensatory amount equal to two per cent of their arrears in addition to the said arrears. The text of the amendment to paragraph 13 above to incorporate the restrictive measures was adopted by the WTO General Assembly in September 1981 [resolution 92 (IV)], but has not yet entered into force pending the approval of two thirds of the Member States. Since 1989, the General Assembly had also approved application of the provisions of Article 34 of the Statutes whereby a Member in arrears for four years, is suspended from exercising the rights and enjoying the privileges of membership.	Paragraph 13 of the Financing Rules states: "A Member which is in arrears in the payment of its financial contributions to the Organization's expenditure shall be deprived of the privileges enjoyed by the Members in the form of services and the right to vote in the Assembly and the Council if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two financial years. At the request of the Council, the Assembly may, however, permit such a Member to vote and to enjoy the services of the Organization if it is satisfied that the failure to pay is due to conditions beyond the control of the Members." The following procedures are to be followed by Members requesting suspension from the application of the provisions of paragraph 13: When a Member is subject to the provisions of paragraph 13 of the Financing Rules and Financial Regulation 8(7), the Assembly may, exceptionally, restore that Member's right to vote and to enjoy the services of the Organization, provided all the following conditions are met: 1. The Member has explained in writing the reasons for non-payment and has requested in writing the restoration of its rights; 2. The Member has submitted a plan for discharging its arrears in instalments over a number of years to be established in	In practice, all of those Members that cannot pay their contributions due in one payment, may submit a payment plan to pay by instalments. At present, WTO has agreements i.e. instalment payment plans that range from two to 30 years.

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
			accordance with its financial circumstances; 3. The Council decides that the reasons for non-payment were beyond the Member's control; 4. The Council and the country concerned have agreed upon the payment plan submitted. According to General Assembly resolutions, suspension is conditional on: "(a) Immediate payment of the contribution corresponding to the financial year during which suspension of the application of paragraph 13 is granted, and "(b) Strict observance of the plan agreed on for the settlement of arrears."	
			The provisions of Article 34 of the Statutes by which a Member in arrears for four years is suspended from exercising the rights and enjoying the privileges of membership are as outlined below: "1. If any Member is found by the Assembly to persist in a policy that is contrary to the fundamental aim of the Organization as mentioned in Article 3 of these Statutes, the Assembly may, by a resolution adopted by a majority of two-thirds of Full Members present and voting, suspend such Member from exercising the rights and enjoying the privileges of membership. "2. The suspension shall remain in force until a change of such policy is recognized by the Assembly."	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
			The measure of suspension provided for in Article 34 of the Statutes is applied in accordance with General Assembly resolutions as follows- "(a) When a Member of the Organization is in arrears in the payment of contributions for any four financial years, which need not be consecutive; partial payment of contributions would not prevent application of the suspension measure; "(b) When said Members have not agreed with the Secretary-General on a plan for the payment of arrear contributions within a period of one year after the General Assembly has observed the applicability of the suspension measure to that Member in accordance with Article 34 of the Statutes." Members wishing to have their rights and privileges restored should follow the procedure for requesting suspension of application of the provisions of paragraph 13. An amendment to the text of paragraph 13 as adopted by the General Assembly at its fourth session, held in Rome in September 1981 is as follows: "(a) A Member which is one or more years in arrears in the payment of its contributions to the Organization's expenditure may not be elected to the Executive Council or hold offices within the organs of the General Assembly. (b) A Member which is one or more years	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
			in arrears in the payment of its contributions to the Organization's expenditure and which has failed to explain the nature of the circumstances surrounding its failure to pay and to indicate the measures to be taken to settle its arrears shall pay a compensatory amount equal to two per cent of its arrears, in addition to said arrears. (c) A Member which is in arrears in the payment of its financial contributions to the Organization's expenditure shall be deprived of the privileges enjoyed by the Members in the form of services and the right to vote in the Assembly and the Council if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two financial years. At the request of the Council, the Assembly may, however, permit such a Member to vote and to enjoy the services of the Organization if it is satisfied that the failure to pay is due to conditions beyond the control of the Member." This amendment has not yet entered into force.	
World Trade Organization (WTO)	Denial of Membership privileges	On 8 December1994, at the Implementation Conference of the Preparatory Committee for the WTO and subsequently at the 50th session of the General Agreement on Tariffs and Trade (GATT) 1947, the CONTRACTING PARTIES of GATT, on 9 December 1994, adopted certain measures to deal with arrears.	The measures for dealing with the question of arrears consist of the following: (a) a Member is to be designated as an Inactive Member if, at the end of a financial year, the full contributions for three or more years, commencing with the year 1989, are unpaid; (b) the list of Inactive Members be notified to the General Council by the Committee on Budget, Finance and	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
		These measures were to be introduced with effect from 1 January 1995 except for (c), which was to be introduced with effect from the 1996 financial year. The measures in (a), (b), (d) and (e) and the effective date of introduction were adopted by the Preparatory Committee and by the CONTRACTING PARTIES as per above, and were implemented. The recommendations in (c) and (f) have not been examined or adopted by the relevant WTO bodies.	Administration at the beginning of each calendar year with a recommendation that these Members be urged to liquidate their arrears; (c) assessments for Inactive Members for a given year be placed in a separate account and counted as part of the anticipated revenue of the WTO for that year; (d) as soon as an appropriate payment is made by an Inactive Member, the General Council be notified immediately of the consequential deletion from the list of Inactive Members; (e) Inactive Members be denied access to training or technical assistance other than that necessary to meet their WTO Article XIV-2 obligations. The WTO General Council approved a decision in October 1997, however, exempting WTO Least Developed Countries from application of this administrative measure. (f) arrears collected from Inactive Members for a given year be placed in the Surplus Account.	
Organization of the Islamic Conference (OIC)	Measures against Member States with accumulated arrears include: Suspending the right to submit candidatures for OIC posts, non-renewal of service contracts of the nationals of these States, suspending the right to vote, suspending the right to membership of bureaux and committees and the possibility of suspending	The Islamic Conference of Foreign Ministers, held in Malaysia, from 27 to 30 June 2000, adopted a resolution denying the Member States that fail to settle their annual contributions for more than two successive years or their equivalent, as of 1 July 2000, the right to submit candidatures for OIC posts. The resolution made	In its quest for a solution to the problem of accumulating arrears of mandatory contributions, which is facing the OIC General Secretariat, its Subsidiary Organs and others, the Sixth Islamic Summit Conference, held in Dakar, Republic of Senegal, adopted a resolution exempting Member States with arrears up to the Financial Year 1990/91 from payment of 50% of those arrears in case of full payment of the accumulated arrears. The same resolution also allowed those States	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
	the right of access to the services and facilities provided by OIC Subsidiary, Specialized and Affiliated Organs.	exception for those Member States which are facing international sanctions, until they are lifted, and also for the least developed countries according to the UN classification, with the provision that this exception will be reviewed in three year's time.	o schedule the settlement of their arrears by eight instalments to be agreed upon with he OIC General Secretariat. The said esolution was made effective up to 31 December 1999.Measures against Member States which fail to pay their contributions and arrears were to commence on 1 January 2000, progressing from the most lenient measures to the most stringent. However, the response to this plan has not been encouraging.	
Organization for Security and Co-operation in Europe (OSCE)	The obligation to pay the assessed financial contributions on time and in full is one of the OSCE commitments and applies equally to all participating States. In accordance with Regulation 4.05 of the OSCE chapter of Financial Regulations dated 27 June 1996 (Revision of 17 December 1998 and Revision of 14 December 2000), fifty per cent of the assessed contributions to the Budget are due and payable by 20 January of the financial year to which they relate and the remaining fifty per cent is due by 1 April of that year. Those States that do not adhere to the deadlines are identified in a report. Under Regulation 7.07, the	In accordance with Regulation 4.09, if a participating State has not paid all its assessed contributions and dues for special financing for the preceding financial year by 1 April of the current financial year, the Secretary General requests the participating State to pay its arrears within 60 days. If a payment is not made in full during that period, the Secretary General requests an explanation of the reasons for non-payment from the participating State concerned.	Regulation 4.09 also stipulates that the Secretary General's quarterly statements of income and expenditure specify the position of arrears, stating the names of all States in arrears, the amounts due and the length of delays in payment. The statements also include the Secretary General's analysis of the impact of the arrears on the operational capability of the OSCE. The Secretary General informs the informal Financial Committee of the steps taken to collect non-payments as well as of other initiatives undertaken and consults with the Chairman –in-Office on any outstanding problems. If the amount of arrears of a participating State(s) equals or exceeds the amount of the contributions due for the preceding two full years the Chairman-in-Office shall refer the issue to the Permanent Council. The Permanent Council shall take concrete measures to ensure early payment by the participating State(s) concerned. As the full and timely payment of contributions is a matter of crucial	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
	allocation of cash surpluses to a participating State is to be deferred in cases where that State is in arrears for the year to which the surplus relates and until such time as these arrears have been paid in full.		importance for the proper functioning of the OSCE, the Permanent Council reviews the operation of this Regulation at annual intervals on the basis of reports from the informal Financial Committee.	
Organisation of Eastern Caribbean States (OECS)	Charges interest on unpaid assessed contributions		Effected by apportioning the Organisation's overdraft interest among Member States on the basis of the extent of the outstanding arrears.	Since this is a recently approved measure, it is not yet possible to obtain any empirical evidence as to its effectiveness.
Organisation of African Unity (OAU)	Denial of membership rights and privileges	Article 97 of the Financial Rules and Regulations of the OAU stipulate that "Any OAU Member State with an outstanding contribution of the Budget of the Organization in accordance with its obligations as enacted in the Charter, shall not participate in either the vote or OAU decisions if the amount of its arrears is equal to or in excess of the contribution due by such State for the two complete financial years ended". Under Article 115, defaulting Member States are deprived of certain rights such as: - participation in either the vote or the Organization's decisions; - the right to speak at the	Under resolution CM/Res.1279 (LII), Member States in default have five years to pay up their arrears of contribution as at 31 May 1990, and have one year from the adoption of the resolution in 1990 to send their payment schedule to the Secretariat. By resolution CM/Res.1311 (LII) adopted at the fifty-third Ordinary Session held in 1991, the Council of Ministers decided on the suspension with immediate effect of recruitment of personnel from Member States with more than two years in default of payment of contributions. In implementing this decision, nationals from the defaulting countries cannot be recruited as regular staff, freelance staff or as consultants in the OAU. The Council of Ministers also reserves the right to review the quota of Member States who do not clear their arrears. By resolution CM/Res.1423 (LVII), the Council appealed again to those Member States that have not yet paid up their	

Organization	Nature of scheme	Conditions of introduction	Main characteristics[a]	Experience
		Organization's meetings; - the right to present candidates for the Organization's posts, e.g. political appointees and other officials; - the right to present candidates for the Organization's decision-making bodies (Commissions, Committees, etc). For purposes of applying the above sanctions, the OAU Committee on Contributions was established in 1990 by the Council of Ministers at their fifty-second Ordinary Session and a Credentials Committee was set up. (resolution CM/Res.1279 (LII)	contributions to make the necessary arrangements to communicate to the General Secretariat, their payment schedule within a maximum period of four months, and before the beginning of the fifty-eight Session of the Council in 1993. It further requested the General Secretariat to prepare a draft schedule for payment of arrears for those countries who have not yet communicated such schedule and to submit them for their views, comments and for the required arrangements to settle those arrears by 1 June, 1995, at the latest, in conformity with the provisions of resolution CM/Res.1279 (LII).	

[a] Where main characteristics are presented in paragraphs preceded by small roman numerals, the paragraphs refer to the following

Incentive schemes (i) Type of earnings distributed and their order of magnitude,

(ii) Eligibility requirements for receipt of benefits,

(iii) Contributors' first payment record period considered for the calculation of benefits and first period of related benefit distribution,

(iv) Any mechanism (*S* curve or other) for apportioning benefits earned to date of receipt of payment

Penalty schemes (i) Rate charged,

(ii) Date from which interest accrues,

(iii) Disposition of interest payments received,

(iv) Treatment of interest due in calculating arrears and determining voting rights,

(v) Any similar arrangements applied for activities not financed by assessed contributions

Annex II

S-curve incentive scheme

Incentive schemes were adopted by some organizations of the United Nations system in order to encourage those Member States that tended to pay late in the year to advance the date of their payments and thereby to reduce the cash flow problems of the organizations concerned. The schemes generally distribute a part or all of the interest earned on the investment of assessed contributions to those Member States whose payment of current year's contributions enabled the organization to invest funds not immediately required for disbursement. The schemes assign "incentive points", with higher incentives to early payers than to late payers.

The incentive scheme used by the International Civil Aviation Organization (ICAO) is based on a variant of the equation $x = -y^3$, which describes an S curve, where x represents the number of days for receipt of payment and Y represents the incentive points to be awarded.

Factors have been added to the basic equation $x = -y^3$ to make it applicable to the parameters that have been selected, that is, a 10-point incentive scale and the 360-day timescale. The formula representing such an S curve is:

$$y = 5 + \sqrt[3]{125 - \frac{250x}{360}}$$

Example

A contracting State being assessed at the rate of 1 per cent contribution (or $271,062) makes full payment on 17 March (day 77). Assume the total incentive points earned by all contracting States was 128,316 and the incentive amount was equivalent to the organization's interest earnings for the year, $369,521.

The incentive share would be determined in two steps:

Step 1

At the time of receipt of contribution

Awarding of incentive points

(a) Calculation of incentive points for payment on day 77

$$= 5 + \sqrt[3]{125 - (\text{day of payment} \times \frac{250}{360})}$$

$$= 5 + \sqrt[3]{125 - (77 \times \frac{250}{360})}$$

= 9.15 incentive points (per $1,000 payment);

(b) Calculation of incentive points for payment of $271,062

= 9.15 x amount of payment (in thousands)

= 9.15 x 271

= 2,480 incentive points awarded.

Step 2

At the time of Assembly

Sharing of incentive amount between eligible States

(a) Calculation of incentive amount applicable to each incentive point earned by all contracting States for the year

= $369,521 ÷ 128,316

= $2.88 per incentive point;

(b) Calculation of incentive amount applicable to the contribution of $271,062 made on 17 March

= $2.88 x 2,480 (from step 1)

= $7,142 representing a rebate of 2.63 per cent of the contribution.

Had the same contribution been paid on, say, 25 September (day 265), the incentive amount would have been:

$864 representing a rebate of 0.32 per cent of the contribution.

The table below illustrates the application of this *S* curve method in comparison with a straight-line approach.

Two examples of the apportionment of interest earnings using as the basis investment interest of $369,521 and assessment of $27,106,254

The amounts shown represent the interest distribution applicable to an assessment of 1 per cent and illustrate the reduction in the share of surplus that would occur as a result of delaying payment of that assessment.

Based on 1 per cent assessment paid on, for example, 20th day of	Method 1		Method 2	
	Distribution in accordance with 12 months straight line (US$)	Would represent percentage reduction in assessment of (percentage)	Distribution in accordance with 12 months S curve $y = 5 + 3\sqrt{125 - 0.6944x}$ (US$)	Would represent percentage reduction in assessment of (percentage)
January	7 691	2.84	7 733	2.85
February	7 012	2.59	7 404	2.73
March	6 333	2.34	7 111	2.62
April	5 655	2.09	6 751	2.49
May	4 976	1.84	6 267	2.31
June	4 298	1.59	5 391	1.99
July	3 619	1.34	2 123	0.78
August	2 941	1.09	1 356	0.50
September	2 262	0.83	924	0.34
October	1 583	0.58	590	0.22
November	905	0.33	314	0.12
December	226	0.08	75	0.03

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